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SUBJECT: UNRWA DONOR MEETING HIGHLIGHTS INCREASING
PALESTINIAN REFUGEE NEEDS, GROWING STAKEHOLDER CONSENSUS ON
NEED FOR CHANGE

REF: A) AMMAN 4337
B) AMMAN 3242

(U) Sensitive but unclassified; please handle accordingly.

1. (SBU) Summary: Discussion at the September 23-25 UNRWA donor meetings focused on the ever-increasing gap between Palestinian refugees' needs and UNRWA's stagnant financial base. Continuing conflict in the West Bank and Gaza have led to increased demands for UNRWA services, while chronic underfunding of the agency's regular programs and declining donor response to UNRWA's emergency appeals have left the agency less able to respond. UNRWA hopes that a planned May 2004 extraordinary meeting in Geneva will attract new donors and new resources from existing donors. Donors and host governments want UNRWA to take another look at management and governance issues, including through a donor-financed external audit, with some donors arguing that such measures are prerequisites to increased contributions. UNRWA has already indicated it does not want governance addressed through an external audit or at the Geneva meeting. End summary.

2. (U) UNRWA held its semiannual meeting of major donors and host governments in Amman September 23-24, followed by the annual Advisory Commission meeting September 25 and a separate September 25 stakeholder meeting to discuss UNRWA's plans for an extraordinary, high-level meeting in Geneva in May 2004 (ref a). The U.S. delegation was led by Ambassador Gnehm and included PRM PDAS Rich Greene, PRM/ANE Program Officer Robert Ward, Regional Refcoord Joan Polaschik and Refugee Assistant Ibrahim Bisharat. A report on key themes addressed at the meetings follows.

Emergency Programs in the West Bank and Gaza

3. (U) Since the intifada began three years ago, UNRWA has requested USD 529.8 million in emergency funding to support additional programs in the West Bank and Gaza - of which only USD 396.4 million has been funded. Given growing donor fatigue (response to the current emergency appeal is USD 48 million of USD 102 million requested, including USD 31 million from the USG), donors questioned whether UNRWA was indeed the best vehicle to deliver humanitarian assistance and whether emergency programming should be folded into UNRWA's general budget as the conflict shows no signs of abating. After some discussion, donors agreed that UNRWA was the most efficient vehicle to provide humanitarian relief for Palestinian refugees and that support for UNRWA's emergency appeals is critical during this period of continued conflict. Donors urged UNRWA to study and report on the consequences of shortfalls in funding the emergency appeals as a means to generate greater financial support.

4. (U) UNRWA reported that it is working closely with other UN organizations on a consolidated appeal for the West Bank and Gaza, which should be ready by mid-November. As suggested by donors, UNRWA's next appeal will be for a full 12 months. In response to donor suggestions that UNRWA consider folding its emergency programming needs into its General Fund budget, UNRWA Commissioner General Peter Hansen replied that the situation in the West Bank and Gaza cannot in any way be considered normal and the agency's emergency programs therefore could not be added to UNRWA's regular budget. He also noted that different donors respond to the general budget and to the emergency appeals, meaning that consolidating the two budgets could result in diminished overall contributions to UNRWA.

Access and Construction of the Wall

5. (U) UNRWA officials at all levels and from every department expressed concern over the continuing difficulty in delivering humanitarian aid in the West Bank and Gaza due to checkpoints, roadblocks, curfews and closures. UNRWA

reported that IDF abuses of UNRWA installations continue to be a problem, including the September 24 IDF search of UNRWA's Qalqilya hospital. UNRWA ComGen Hansen told donors that UNRWA staff were forced to lie down while IDF soldiers kicked in doors, broke glass and fired shots into the ceiling, all in search of an injured Palestinian militant who turned out not to be in the hospital, as the IDF had been informed prior to entering the hospital.

16. (U) UNRWA is particularly concerned about the impact of the Israeli Government's separation fence on refugees and the agency's ability to deliver services in the West Bank. As noted in UNRWA ComGen Hansen's annual report to the General Assembly, the construction of a security fence in the West Bank will "impoverish and isolate thousands of refugee families and will constitute a new and formidable obstacle to the delivery of essential UNRWA services to refugees living in the vicinity of the wall, along the entire length of its route." West Bank Director Richard Cook told donors that up to 200,000 refugees will be cut off from Qalqilya hospital, while refugee children will be cut off from their schools, refugee landowners cut off from their property, and some UNRWA workers unable to get to their place of work, due to the security fence.

Humanitarian Consequences of Three Years of Intifada

17. (U) UNRWA reported that three years of conflict have resulted in a sharp increase in unemployment, malnutrition, and poverty among Palestinian refugees in the West Bank and Gaza. West Bank Director Cook reported that curfews, closures, checkpoints, and blockades have completely strangled Palestinians' economic activity. Microenterprise and Microfinance Program Director Alex Pollock noted that loan repayment rates had fallen to 65 percent, versus a pre-intifada repayment rate of 95 to 98 percent. Over 2,000 loans had been written off during that time. In 2000, some 12,000 loans were made by UNRWA worth over USD 14 million, whereas from July 2002-June 2003 8,900 loans were made for USD 6 million. Similarly, UNRWA Education Director Kabir Shaikh noted that it was practically pointless to hold vocational education training courses in the West Bank and Gaza because "there is no economy and no jobs." In May 2002, for example, 60 businesses were destroyed in Jenin.

18. (U) The picture is also bleak on the health front. According to ComGen Hansen's report to the General Assembly, "The situation in the occupied Palestinian territory has caused a significant deterioration of the refugees' health: various studies document the increasing prevalence of acute and chronic malnutrition as well as iron deficiency anemia and low birth weight." Dr. Fathi Mousa, UNRWA's Director of Health, told donors that refugees in the West Bank and Gaza are cutting back on food purchases to pay other bills, further endangering their health. He added that diabetes and hypertension, both caused in part by poor diet and high stress, are on the rise among Palestinian refugees. In addition, three years of violence and conflict have left many Palestinian children in need of psychological counseling. One recent study found that two-thirds of Gaza children had witnessed a shooting. Mousa noted that children who live in the midst of conflict tend to have nightmares, feel insecure, and act aggressively at school toward their classmates. UNRWA has only limited funding available for counselors and psychologists.

19. (U) Deteriorating economic conditions in the West Bank and Gaza therefore continue to create new demands for UNRWA services. West Bank Director Cook reported that even refugees with steady employment (who are ineligible for UNRWA food assistance under long-standing agency rules) now ask UNRWA for emergency food assistance because they are supporting more members of their extended family. Similarly, huge numbers of refugees now seek employment with UNRWA - a reversal of the recent market trend away from UNRWA employment due to the agency's new noncompetitive salary scale. In the West Bank, for example, 1600 people recently applied for 99 UNRWA teaching positions. West Bank and Gaza staff reported that frustration and despair are evident among the refugee communities, including in unprecedented violent attacks on UNRWA staff by refugees who have been rejected for emergency assistance.

110. (U) At the same time, declining donor response to UNRWA's emergency appeals has forced the agency to reduce its emergency programs. Whereas UNRWA used to meet 60 percent of the food needs of refugees in the West Bank, it now meets only 40 percent. UNRWA officials noted that the ICRC's recent decision to end its emergency food assistance programs at the end of this year will have a further negative impact on Palestinians' health. The West Bank field currently has only 25 percent of its needed medical supplies. Child immunization rates in the West Bank and Gaza have fallen by five percent over the last three years,

an indicator that outbreaks of communicable diseases could occur if this trend is left unchecked. In Gaza, 506 refugee shelters were destroyed and 1,518 damaged from July 2002-June 2003 but UNRWA has been able to implement only 12 percent of its planned emergency shelter repair programs. Hansen added that even with full funding, such as in the Jenin reconstruction project, closures and curfews impede the agency's ability to respond.

General Fund Budget and Chronic Underfunding

11. (U) UNRWA ComGen Hansen was proud of the effort his team had made to balance the budget. UNRWA's latest budget for the 2004-2005 biennium, he noted, had been blessed by the UN's Advisory Committee on Administrative and Budgetary Questions with no comments and cited as a model for other UN agencies. Hansen and many other speakers, however, noted with dismay the consequences of chronic underfunding of the agency, which receives 94 percent of its income from voluntary contributions. One particularly telling statistic is that UNRWA in 2002 spent USD 73 per refugee, whereas in 1990 it spent USD 99 per refugee. Although contributions have risen over the years, they have not kept pace with growth of the Palestinian refugee population.

12. (U) UNRWA Education Director Kabir Shaikh told donors that chronic underfunding of the agency's education programs (which account for over 50 percent of UNRWA's budget) has resulted in higher pupil/teacher ratios, double shifts in schools (one-half day for each student), rental of inadequate buildings to serve as schools due to lack of funding to construct new ones, and the lack of computers in the information age. In just one example of UNRWA's dire education needs, PRM officers noted in a visit to a five-year old U.S.-funded UNRWA school in Jordan that the teachers had 48 students per class. The school had no extra-curricular activities, no sports or physical education programs, and computers that were outdated and did not function. There are 500,000 pupils attending UNRWA's 656 schools, and that population is growing by at least one percent a year. Over the past decade, the number of UNRWA schools has increased by 2.5 percent, while the number of its pupils has increased 23 percent.

External Audit Needed?

13. (U) In both the informal "pre" meeting and its official statement, the United Kingdom suggested that an independent, external audit of UNRWA financed by donors would bring confidence that UNRWA is fulfilling its mandate in the most efficient manner. That in turn would make it easier for ministers to make the case to their own governments that assistance to UNRWA is money well spent. ComGen Hansen said that he welcomed such an audit, expressing confidence that UNRWA would receive high marks. He said there was "no fat" in UNRWA's budget, citing as an example that his agency had fewer four wheel drives than many NGO's working in the region which are many times smaller than UNRWA.

14. (U) UNRWA Director of External Relations Andrew Whitley informed donors in a side meeting that an external audit of UNRWA -- paid for by the UN central budget -- is undertaken biannually to review the agency's finances and performance. None of the donors knew of this biannual audit (yet another example of UNRWA's poor communications skills) and asked for copies of the most recent one, which were promised by UNRWA. Once the donors review the audit, they will consult each other to determine whether it satisfies their request for an objective external audit. (Comment: The U.S. currently is reviewing the practice of outside audits of other UN agencies and will review the current UNRWA audit before taking a decision on the UK's proposal.) Some donors stressed to Whitley that an audit needs to take a hard look at the way UNRWA is governed, rather than simply its financial performance. UNRWA representatives said the agency opposed such a review, noting that the venue for any discussion of UNRWA's governance structure should be the UNGA.

Plans for an Extraordinary Geneva Meeting

15. (U) In an informal September 23 lunch meeting and separate September 25 planning meeting, UNRWA and the Swiss Government briefed stakeholders on plans for a one-time, high-level meeting in Geneva (ref a). UNRWA is now casting the meeting as an opportunity for donors and host governments to discuss the medium-term challenges facing the agency, "endorse" the direction of the agency and strengthen its resource base. UNRWA proposed that the meeting include a "Geneva Declaration" in support of UNRWA's humanitarian

mandate, but several donors expressed concern that such a statement could prove too political. Senior UNRWA management - including ComGen Hansen in a side meeting with PRM PDAS Greene - assured stakeholders that the meeting would not include a political agenda and would not turn into a forum for political statements and posturing. UNRWA is particularly interested in opening the meeting to minor (less than USD one million per year) and potential donors, in hopes of increasing their contributions. (Comment: When pressed for possible new donors, External Relations Director Whitley cited Russia, Morocco, New Zealand and "eastern European countries." We are skeptical that these nations - most of which are aid recipients - will produce any significant contributions.)

¶16. (U) The Swiss, who first proposed this meeting in the spring of 2003, continue to hope that an extraordinary Geneva meeting would bring more actors (some with new ideas) and more pressure on UNRWA management to adopt needed reforms. In both planning meetings, the U.S. delegation noted any extraordinary meeting should also focus on the agency's governance structure. The main problem with the current stakeholder meetings is that they do not produce a plan of action or even an agreed list of programming priorities. The U.S. will continue to work with other major donors and host governments on governance issues over the coming year.

Hansen/Greene Meeting on the Margins

¶17. (SBU) During a September 23 breakfast meeting, PRM PDAS Greene cautioned UNRWA ComGen Hansen to keep his public statements confined to facts and devoid of political content. Greene noted that the Government of Israel had complained frequently to USG officials about Hansen's alleged biased statements critical of the GOI. Hansen responded that when a wall was being built into Palestinian territory in the West Bank and the IDF was demolishing homes in the Gaza strip, these Israeli Government actions negatively affected refugees and he had a duty to raise these concerns. However, Hansen acknowledged there was a need to be balanced in his statements. Greene also emphasized that UNRWA must continue to exercise extreme vigilance to ensure that its facilities and programs are not compromised by terrorists. Hansen responded that UNRWA took its obligations seriously and looked forward to the conclusions of the U.S. General Accounting Office (GAO) review of UNRWA's compliance with section 301 (c) of the Foreign Assistance Act. He added that UNRWA would be glad to consider any recommendations that GAO might have on how UNRWA could do better to comply.

Comment

¶18. (SBU) Debate during and on the margins of these UNRWA meetings revealed growing agreement among UNRWA, host governments and donors alike that something must be done to address the ever-increasing gap between the needs of the Palestinian refugee population and UNRWA's stagnant financial base. UNRWA seems to be pinning its hopes on a high-level meeting in Geneva to attract both new donors and new resources from its existing donor base. Donors and host governments, on the other hand, seem eager for changes in UNRWA's management and governance structure, with some hinting that such changes are a prerequisite to increased contributions. UNRWA has already indicated that it does not want management or governance on the agenda of the Geneva meeting and likely will resist any effort to include these issues.

¶19. (U) PRM PDAS Greene cleared this message.
GNEHM